

## MARKET UPDATES



The pandemic remains a major risk to the economy and some form of social distancing measures should persist, especially as we approach the winter season in the Northern hemisphere with social life migrating indoor and communities more vulnerable to a resurgence of COVID-19 infections.



Drastic lockdown are now less likely given that health authorities are better informed & are willing to act at an early stage of a new “wave”, medical equipment/resources have also been upgraded.



Global economic recovery continued in July and August, although tighter lockdown measures in certain countries in response to increased Covid-19 cases led to weaker-than-expected data. The recovery has been driven by pent-up demand and policy.



Global growth to rebound in Q3 as most countries experienced a rapid improvement towards the end of Q2, which implies a fairly high momentum carried over into the next quarter.

## ASSET ALLOCATION & MARKET PERFORMANCE

### Equities



#### OVERWEIGHT

Earnings revisions continue to come in better than expectation, with earnings beat for US, Europe and Japan reaching record levels

Technical signals such as liquidity, momentum and positioning point to higher equity levels whilst the valuation score was downgraded to neutral

### Investment Grade Credit



#### MODERATE OVERWEIGHT

Demand for corporate bonds remains strong, given the cost of debt is at all-time lows. After the massive tightening of spreads, we expect spreads to stay fairly ranged bound. We continue to favor Asian credit for its yield pickup

### US Treasuries



#### UNDERWEIGHT

Supply of long maturity US Treasuries should exceed Fed's demand before the end of Q4, contributing to a modest increase in yields.

The scope for higher yields might be limited due to some form of “yield curve control” by the Fed.

(US\$, As of 31 Aug 2020)

		Aug-20	Q2-20	Q1-20	YTD
Equity	MSCI All Country World Index	6.0%	18.7%	-21.7%	3.5%
	MSCI Asia (ex. Japan) Index	3.4%	15.8%	-18.6%	5.3%
Fixed Income	Bloomberg Barclays Global Aggregate Bond Index	-0.2%	3.3%	-0.3%	6.1%
	Bloomberg US Treasury Bond Index	-1.1%	0.5%	8.2%	8.8%

Source: Bloomberg

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